he Ebb and Flow of Commodity Prices---Their Effect on Trade and Investments

momist's Forecast of a Level 50% bove Pre-War Figures Based on Gold Supply and Commerce Barriers

By Luther L. Blake President, Standard Statistics Company, Inc., New York.

ORGET pre-war price standards." That is the message of the majority of economists to the manufacturer, wholesaler and retailer of goods, as well as to the investor and speculator in As to just how long these pre-war standards may be ignored ne disagreement. Some say two years, others ten years, but all agree that the next major movement of prices will be upward. to pre-war levels may and probably will come eventually, but until one factor in what the economist terms "the equation of exthe greatly increased quantity of gold in the United States-

On the assumption that these con-

clusions are sound, and that we are now entering an era of prices at the present level or higher, the general effect on business and on the various classes of securities is reasonably obvious

level of commodity prices. This fact should tend to minimize the inevitable demands of labor in the next business

revival. Such demands are normal to periods of business activity and rising prices, and whatever ctn be antici-pated can be satisfactorily dealt with.

misfortunes are our gain. We need European goods rather than European gold, and thereby hangs this tale of higher prices; but this position, espe-cially at this particular time, means

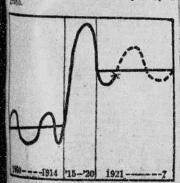
me power-in other words. ange of prices at an average level iderably higher than that which siled during the ten-year period dilately preceding the World War. ese admonitions have been dinned the ears of the average business antil by a process of repetition suggestion they have been acid by his subconsciousness, but why they are sound is a massive why they are sound is a massive. see of the reasons why these econo-dis who happen, in the long run, to searly always right, predict a high-respect of commodity prices also to suggest the bearing of this price level on the general busi-prospect and the securities

and, second, the prospect that ill retain this gold for a consid-period to come. A secondary is an increasing volume of busi-

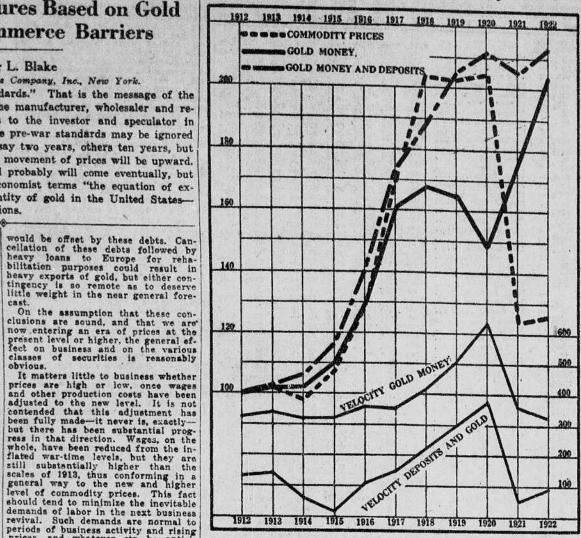
is abnormal acquisi-

riest ateruals—and it, upon the riest, there be imposed a super-barer is the shape of a high protective unif, then we have nearly all the ele-

to check has doubled. constitute, in effect, the



Money Circulation and Commodity Prices



prices, and whatever cin be anticipated can be satisfactorily dealt with. Other things being equal, therefore, a higher general level of commodity prices, of itself, should not prevent a normal revival of business.

According to the theory outlined, commodity prices at this writing are at a point somewhere below the average level to be established in the next business cycle. Advances of prices from present levels, therefore, involves increased utilization of the larger circulating media. That would mean increased bidding for goods or, in other words, an increase of business activity.

In Europe the return of the principal nations to the pursuits of peace has naturally resulted in increased production of the things necessary to subsistence—food and clothing—although this production is still far short of normal. But the huge potential demand for what may be termed tial demand for what may be termed to premoment goods, such as materials for reconstruction, new building and railway and power equipment, will remain unsatisfied for a long period for lack of the means of satisfaction—that is, lack of the means by which production may be increased. Europe the industry is disorgenized, the normal flow of goods between nations tial demand for what may be termed permanent goods, such as materials for reconstruction, new building and railway and power equipment, will remain unsatisfied for a long period for lack of the means of satisfaction—that is, lack of the means by which production may be increased. European industry is-disorganized, the normal flow of goods between nations has been interrupted by conditions arising out of the war, and financial resources have been reduced to the minimum. The return to normalcy, prices, while perhaps not the best suit-

of prolonged liquidation that exdef throughout the year 1921 and
segretar part of 1922, the average
four standard indices of commodity
mices is 47 per cent higher than the
list is reasonable to assume that
the low price levels of 1922 represent
able low price levels of 1922 represent
able low price levels of 1922 represent
to out total output. Normally their output
to make and night endity of commodity
prices is 47 per cent higher than the
advancing bank rate.

So long as uncertainty exists as to
the future normal level of commodity
prices in the future income.

Which together with the Mexican line
equity value of the company's stock.

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goods averages only about 6 per cent
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output to 1922.

The reason the increase in the
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of our exports to our total output of
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the future normal level of commodity
prices in the moderate pace of interseemed, at times, out of proportion to
form a prevent of the western than
the low than a fact of the company's stock.

So long as uncertainty subthe

Money increased 25 per cent, ve-

locity increased 4 per cent, com-modity prices increased 32 per

modity prices increased 10 per

Southern Pacific stock, however, has certain speculative possibilities found lacking in many investment stocks.

Growth of Capitalization and Mileage Funded Capital Stock. Co Debt. Stock. Co Millions of Dollars \$527.1 \$272.7 468.4 344.4

The foregoing capitalization represents the aggregate amount of securities of the Southern Pacific Company and its proprietary companies outstanding in the hands of the public. It will be noted that funded debt shows a decrease of \$68,700,00, in round numbers during the ten year paried. Most bers, during the ten-year period. Most of this decrease in funded debt was replaced with an increase in stock as a result of bond conversion, but, in the final analysis, total capitalization has grown very little, and far less in amount than the net additions to prop-erty account made during that period, which will foot up to more than \$200,-

Summary

1913—Money increased 2 per cent, velocity increased 1 per cent—
slight increase in commodity prices.

mileage of the Southern
of railroads in the United States has increased from 10,058 miles to 11,235 miles, or 12 per cent. The Southern
Pacific Company, however, owns a line
reaches to Ha-Money increased 20 per cent, velocity increased 8 per cent, commodity prices increased 20 per cent, commodity prices increased 20 per cent.

property used in the service of transportation is \$919,000,000, or 14 per cent in excess of total capitalization. Assuming the theoretical retirement of funded debt at par, there would remain an equity of \$455,600,000 in property value for the stock, equivalent to \$132 a share.

omodity prices unchanged.

Money increased 4 per cent, commodity prices increased 1 per cent.

Money decreased 3 per cent, velocity decreased 26 per cent, commodity prices decreased 30 per cent.

Money decreased 30 per cent, velocity decreased 26 per cent, commodity prices decreased 30 per cent.

Money increased 3 per cent, velocity decreased 30 per cent.

Money increased 3 per cent, velocity decreased 30 per cent.

Money increased 3 per cent, velocity increased 30 per cent.

Money increased 3 per cent, velocity increased 30 per cent, v therefore, will be a long drawn out and laborious process.

With the United States it is different to Deflation from war-time price levels has been effected without seems of superporting the same properties of the same of

Railroads' Earning Power No. 32-Southern Pacific

the thirty-second of a series of forty daily discussions of the present sarning power of the leading American steam railroads. At the request of The Tribune, these studies were undertaken by the Standard Statistics Company, Inc., of New York, which has prepared the papers and is securing a cappright for them in 1922. The thirty-third article will appear to-morrow and will deal with Pennsylvania Railroad.—Financial Editor.)

tual earnings to date of latest monthly report.

The large increase in earning power that the system has shown is due primarily to the careful nursing it had under the guidance of E. H. Harriman. It was the Harriman policy never to pay dividenja until the physical and financial condition of the property in question had attained a high degree of excellence. The idea was to build up the property out of earnings first, and when that was accomplished and its earning power established on a solid basis, to pay dividends. Dividend Record

Southern Pacific, backed by years of careful and conservative management, has developed, both physically and financially, into one of our greatest and strongest railroad systems.

The various bond insues of the system take rank with the best among railroad securities, and the stock, which has never failed to earn and pay the 6 per cent rate inaugurated in the latter part of 1907, has long been classed among the investment issues.

Southern Pacific tock, however, has certain speculative possibilities found acking in many transferred.

lacking in many investment stocks. The company possesses assets that may be the basis of valuable rights at some future date. Stockholders had a taste of this a year or more ago when Southern Pacific sold its California oil lands. And, incidentally, the company received \$43,750,000 in cash, which has the more full. Thus, in 1912, total incidentally to excellent use.

Margin of Safety of Earnings

The figures showing the margins of and results have been encouraging and results have been encouraging to the firm to continue the plan.

Briefly, the budget system in the Filene store enables a woman to buy fall and still leave enough to cover them in full. Thus, in 1912, total incidentally financial basis. It is not designed primarically financial basis. It is not designed primarically to make her spend more for her come could have declined 11 per cent and still left sufficient to cover inter-est charges and the 6 per cent dividend, but if it had declined 46 per cent, fixed



The Central Pacific Case

of Central Pacific's stock and its leasing of that company was in violation of the Sherman law. Since the institution of the swit, however, the transportation act was passed, apparently legalizing railroad combinations that might otherwise be unlawful. It is possible, therefore, that the Interstate Commerce Commission, on these grounds, may sanction the union of the

commerce Commission, on these grounds, may sanction the union of the two companies.

But if the Southern Pacific should be obliged to give up the Central Pacific, the question naturally arises as to whether Southern Pacific, without the aid of this 2,300-mile stretch of road which comprises about 20 per cent of the system's mileage and produces about 25 per cent of its gross revenues, could still earn and pay 6 per cent on its stock.

There is every reason to believe that this could be accomplished, and as evidence we present below a comparative table of earnings of the Southern Pacific system after eliminating the portion contributed by Central Pacific. In the table the first column shows a composite statement of the three-year period 1915 to 1917, inclusive, and the second column the results for the year 1921:

3-year Ave. 1915-1917. 1921.

the sale of Central Facine stock. Certainly some satisfactory consideration would be given which might form the basis of valuable rights to Southern Pacific stockholders, or the proceeds might be used for capital expenditures to increase the earning power of the

Buying Milady's Wardrobe On Scientific Budget Plan

Retail Store Contrives a Method of Expenditure Allotments Ranging From \$150 to \$600 Annually

66 B UDGET" is a word that has an ominous sound to the average lay person. It conjures up visions of detailed charts and sheets covered with multitudes of figures that are understandable only to the select few. It means, to the average person, one of those htings that appear important to the finances of a nation or a big business. Rarely has it been applied to individuals. Budget, however, simply means the planning of future expenditures so that all requirements will be met, so fas as possible out of the amount of money one can afford to spend.

ship and other corporations and to lease or operate them.

An initial dividend of 2½ per cent was paid in 1906. In the final quarter of the following year the stock was placed on a 6 per cent basis, where it has remained ever since. During the sixteen years in which the 6 per cent rate has been paid the company has not once failed to earn the full requirements and more.

Margin of Safety of Earnings

The figures showing the margins of safety above interest and dividend requirements in the table below are poor shoppers are mount of money one can afford to spend.

Proceeding, seemingly, upon the the-stock was individual purchasers in this country, are poor shoppers from the standpoint of scientific buying, the Wm. Filene's Of scientific buying the war only two years.

"Be sure that the garments you buy are made of durable materials. This is important, because it is upon the durable materials. This is important, because it is upon the durable buying their personal clothing. The system has been in operation about two months and results have been encouraging of scientific buying their personal clothing. The system has been in operation

her clothes upon a scientifically finan-cial basis. It is not designed primari-ly to make her spend more for her clothing than she has been accustomed to spend, but rather to allot her usual expenditure in such a manner that will give her the greacest benefit. In a booklet, introducing the budget system to the women of Boston and surrounding territory, the state of the

system to the women of Boston and surrounding territory, the store says:

"A complete wardrobe is by no means a matter of unlimited spending. No matter how large a woman's income, she will still have gaps in her ward-vobe unless she chooses her clothes intelligently. On the other hand a woman with a small income may be welf dressed always if she will (1) plan according to her individual needs, (2) buy with an intelligent knowledge of fabric, line and color, and of her own personality, and (3) care for her clothes systematically and inteligently."

Form sheets and sample budgets for the guidance of the novice are supplied. These sample budgets are decidedly interesting and were prepared after exhaustive research into the needs and incomes of various classes of women. The budgets are divided into two general classes, one for the business woman and another for the woman who stays at home, and range from an expenditure of \$150 a year up to \$600 a year. Each of the budgets covers a three-year period.

Avoid Fads

Study the style tendencies and keep up with the fashions of the season, not the fads of the hour. The fad of the moment should not be bought, for it will go out of style and be a gore spot in one's wardrobe.

in one's wardrobe.

"Do not expect garments to serve a purpose for which they were not intended. For example, satin shoes or slippers suitable for evening wear should not be worn in the street.

"Don't buy a garment simply because it is pretty in itself, but rather because it is becoming to you."

Following this is given some detailed information on the proper care of garments to lengthen their life and retain their good appearance.

ments to lengthen their life and retain their good appearance.

In the sample budgets shown in the pamphlet, actual store prices of all the articles listed have been followed, the prices being in line with current retail levels. In many lists that have been published from time to time, showing how little a woman may spend for her clothes annually, women reading them have objected that the reading them have objected that the quality merchandise. In the Filence list, however, this objection scarcely can be made. For example on a three year budget at the rate of \$600 per year, a woman is permitted, under the Filene schedule, to spend as much as coats in the three year period. This particular schedule also provides for the buying of ten pairs of shoes in the three years, the lowest price listed being \$8.50 a pair for sport shoes

Individual Problems

The clothing information bureau o the store, into whose province the shopper's budget work falls, has been called upon frequently for assistance in making out individual budgets for 43 per cent for dresses, coats and suits; 24 per cent for hats, shoes and gloves; 8 per cent for blouses, sweaters and skirts; 20 per cent for underwear and hosiery, and 5 per cent for accessories.

"5. Consider not only the needs of the coming season, but those over a period of three years when purchasing your clothing."

From a scientific standard of the most valuable seat.

the indicated earnings on Southern Pacific stock this year would amount to about 9.6 per cent without any aid from Central Pacific.

In the foregoing no allowance has been made for increased income from the sale of Central Pacific stock. Certainly some satisfactory consideration would be given which might form the basis of valuable rights to Southern Pacific stockholders, or the proceeds might be used for capital expenditures

"Pay attention to stability," urges the budget and is a great deal more satisfied with her clothes, yet she is not spending as much money as heretofore.

"Another interesting incident was they best suit you. Decide upon the toolors that are suitable for you, and adhere to your decision.

"Consider the price from the standpoint of the entire life of the garment."

"Consider the price from the standpoint of the coars of a woman who came in to suitable for you, and the other day with just \$100 to spend for her clothes this season. We talked over her present wardrobe with her, advised her how she could best spend for her clothes, yet she is not spending as much money as herectofore.

"Another interesting incident was the other day with just \$100 to spend for her clothes, yet she is not spending as much money as herectofore.

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Argentina Under a New Regime

Dr. Alvear's Policy Involves Continuation of Negotiations Which Probably Will Be Floated Here; Oil Fields Under Strong Control

— Along the Highways of Finance —

The state of the properties was, well the properties of the proper

cially at this particular time, means an economic independence such as no other nation enjoys. We can have a considerable degree of prosperity in spite of Europe's fiscal and economic weakness.

HENRY FORD, who is an efficient manufacturer of automobiles, frequently essays the role of philosopher article to predict what degree of prosperity we will enjoy, but to point out the normal bearing of a new and higher level of commodity prices on business in general and the various classes of securities in particular.

By Merryle Stanley Rukeyser

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In go for a porticular time, means an economic independence such as no other particular time, means an economic independence such as no occurrence in general and the various classes of prosperity in spite of Europe's fiscal and economic washes an efficient manufacturer of automobiles, frequently seasys the role of philosopher and economist. Anent the subject of the vast majority unwittingly and wholly without design carry on this saying in Boston: "Until he is forty a man should gain experience; he should until they are forty, but, unfortunately, but to public could offer you. The Piggly ever occurs to any of those birds that